

AMENDED IN SENATE APRIL 25, 2016

SENATE BILL

No. 1148

Introduced by Senator Stone

February 18, 2016

An act to ~~amend Section 17072 of, and to add Section 17206.2 to, repeal and add Section 17204.7 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.~~

LEGISLATIVE COUNSEL'S DIGEST

SB 1148, as amended, Stone. Personal income taxes: deductions: ~~education expenses: qualified tuition.~~

The Personal Income Tax Law, ~~in modified conformity with federal income tax laws, allows various deductions from gross income in computing adjusted gross income under that law, including deductions for payments to individual retirement accounts, alimony payments, and interest on educational loans.~~ *does not conform to a provision of federal income tax law that for taxable years beginning before January 1, 2015, allows a deduction from gross income for the taxable year in an amount equal to qualifying tuition and related expenses paid by the taxpayer during the taxable year, not to exceed \$4,000, for enrollment or attendance by the taxpayer, the taxpayer's spouse, or the taxpayer's dependent at any accredited postsecondary institution. That law provides for a phaseout at certain modified adjusted gross income levels.*

This bill, for taxable years beginning on or after January 1, 2016, ~~would allow a deduction in computing adjusted gross income for those amounts paid or incurred by a qualified taxpayer, as defined, during the taxable year for qualified education expenses, as provided: and before January 1, 2021, would conform to that federal law with~~

modifications, including modifications to the amount of the deduction and the phaseout.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

The people of the State of California do enact as follows:

1 *SECTION 1. Section 17204.7 of the Revenue and Taxation*
2 *Code is repealed.*

3 ~~17204.7. Section 222 of the Internal Revenue Code, relating~~
4 ~~to qualified tuition and related expenses, shall not apply.~~

5 *SEC. 2. Section 17204.7 is added to the Revenue and Taxation*
6 *Code, to read:*

7 *17204.7. (a) For taxable years beginning on or after January*
8 *1, 2016, and before January 1, 2021, Section 222 of the Internal*
9 *Revenue Code, relating to qualified tuition and related expenses,*
10 *is modified as follows:*

11 *(1) The term "Secretary" shall be replaced by the term*
12 *"Franchise Tax Board."*

13 *(2) The applicable dollar limit shall be determined as follows:*

14 *(A) In the case of a taxpayer whose adjusted gross income for*
15 *the taxable year does not exceed one hundred twenty-five thousand*
16 *dollars (\$125,000) or two hundred fifty thousand dollars*
17 *(\$250,000) in the case of a joint return, ten thousand dollars*
18 *(\$10,000) per individual.*

19 *(B) In the case of any other taxpayer, zero.*

20 *(C) For taxable years beginning on or after January 1, 2017,*
21 *the amounts specified in subparagraph (A) shall be recomputed*
22 *annually in the same manner as the recomputation of income tax*
23 *brackets under subdivision (h) of Section 17041.*

24 *(3) Section 222(e) of the Internal Revenue Code, relating to*
25 *termination, shall not apply.*

26 *(b) This section shall remain in effect only until December 1,*
27 *2021, and as of that date is repealed.*

28 *SEC. 3. This act provides for a tax levy within the meaning of*
29 *Article IV of the California Constitution and shall go into*
30 *immediate effect.*

31 ~~*SECTION 1. Section 17072 of the Revenue and Taxation Code*~~
32 ~~*is amended to read:*~~

1 ~~17072. (a) Section 62 of the Internal Revenue Code, relating~~
2 ~~to adjusted gross income defined, shall apply, except as otherwise~~
3 ~~provided.~~

4 ~~(b) Section 62(a)(2)(D) of the Internal Revenue Code, relating~~
5 ~~to certain expenses of elementary and secondary school teachers,~~
6 ~~shall not apply.~~

7 ~~(c) Section 62(a)(21) of the Internal Revenue Code, relating to~~
8 ~~attorneys fees relating to awards to whistleblowers, shall not apply.~~

9 ~~(d) Section 62(a) of the Internal Revenue Code is modified to~~
10 ~~provide that the deduction under Section 17206.2 shall be allowed~~
11 ~~in determining adjusted gross income.~~

12 ~~SEC. 2. Section 17206.2 is added to the Revenue and Taxation~~
13 ~~Code, to read:~~

14 ~~17206.2. (a) For taxable years beginning on or after January~~
15 ~~1, 2016, there shall be allowed as a deduction the amount paid or~~
16 ~~incurred by a qualified taxpayer during the taxable year for~~
17 ~~qualified education expenses at a public four-year university or~~
18 ~~community college.~~

19 ~~(b) For the purposes of this section, both of the following apply:~~

20 ~~(1) “Qualified education expenses” means both of the following:~~

21 ~~(A) Costs of attendance that include, but are not limited to,~~
22 ~~payments for books, supplies, equipment, tuition, and fees, and~~
23 ~~similar payments.~~

24 ~~(B) Payments of principal of a qualified education loan, as~~
25 ~~defined in Section 221 of the Internal Revenue Code, relating to~~
26 ~~interest on education loans.~~

27 ~~(2) “Qualified taxpayer” means an individual who pays or incurs~~
28 ~~qualified education expenses during the taxable year for any natural~~
29 ~~person including, but not limited to, the taxpayer, the taxpayer’s~~
30 ~~spouse, or any dependent of the taxpayer and who has a federal~~
31 ~~adjusted gross income of two hundred fifty thousand dollars~~
32 ~~(\$250,000) or less during the taxable year in which those expenses~~
33 ~~are paid or incurred.~~

34 ~~(c) For each taxable year beginning on or after January 1, 2017,~~
35 ~~the Franchise Tax Board shall recompute the federal adjusted gross~~
36 ~~income limitation described in paragraph (2) of subdivision (b).~~
37 ~~That computation shall be made in the same manner as described~~
38 ~~in subdivision (h) of Section 17041.~~

- 1 ~~SEC. 3.—This act provides for a tax levy within the meaning of~~
2 ~~Article IV of the Constitution and shall go into immediate effect.~~

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